2. The following represents aggregate demand in an open economy

a)AD=C+I+G+NX b)AD=C+I+G
c)AD=C+I d)All the above

3. ------------ theory shows the interaction between multiplier and accelerator.

a)super accelerator b) super income generation
c) super multiplier d) none of the above

4. ________ is not included in money supply.

a)Time deposits that are withdrawn b) currency
c) cash balances held by government d) liabilities of NBFI

5. The relationship between speculative demand for money and the rate of interest is ________.

a)Direct b)neutral
c)inverse d)constant

6. At a very low rate of interest the liquidity preference curve becomes________.

a) perfectly inelastic b)perfectly elastic
c) relatively inelastic d)relatively elastic

7. Current inflation rate is referred to as ________.

a) core inflation b) cost push inflation
c) headline inflation d) demand pull inflation

8. ___________groups benefits during inflation.

a) debtors b) creditors
c) fixed income earners d) all the above

9. __________ reduces excess demand.

a) compulsory savings b) public expenditure
c) FDI d) None of the above

10. The ________ of a commercial bank show the sources of funds for its business.

a) Investment b) loans and advances
c) Assets d) liabilities

11. _________ is Qualitative method of credit control.

a) Margin requirement b) bank rate
c) omo d) repo and reverse repo

12. ___________ is the slope of IS curve.

a) positive slope b) direct slope
c) negative slope d) None of the above

Q. 1 Answer the following (Any 2) (15)

A. Circular flow of income in four sector economy.

B. Features of business cycle.

C. Meaning and limitations of the multiplier.

Q. 2 Discuss the following (Any 2) (15)

A. Determinants of money supply.

B. Liquidity of preference theory of interest.

C. Meaning of velocity and income velocity.

Q. 3 Answer the following (Any 2) (15)

A. Cost push inflation.

B. Effects of inflation.

C. Terms related to inflation.

Q. 4 Discuss the following (Any 2) (15)

A. Factors determining liquidity of banks.

B. Quantitative credit control measures.

C. Instruments of fiscal policy.

Q. 5 (A)State whether the following statements are TRUE OR FALSE (Any 4) (08)

1. Marginal propensity to consume may be greater than one.
2. Investment multiplier explains the effects of change in income on investment.
3. Community's choice affects money supply.
4. Speculative demand for money is interest elastic.
5. Inflation is macroeconomic phenomenon.
6. During inflation RBI follows dear monetary policy.
7. OMO refers to buying and selling of government securities in the open market.
8. The assets of the bank generate income for the bank.

Q.5. (B) Fill in the blanks (Any 7) (07)

1. ------------ is an example of a leakage in the circular flow of income.

   a)Savings b)Transfer payments
   c)Investments d)Exports